

(19) World Intellectual Property Organization  
International Bureau



(43) International Publication Date  
28 June 2001 (28.06.2001)

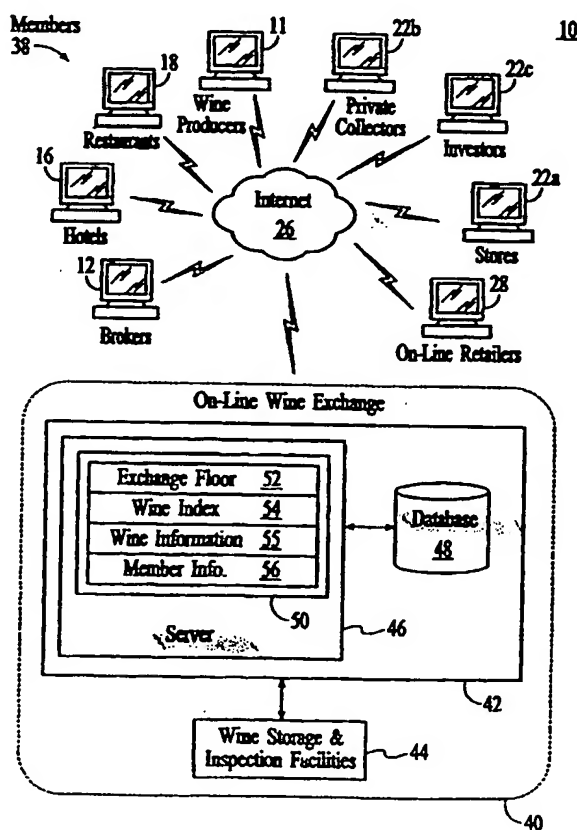
PCT

(10) International Publication Number  
**WO 01/46893 A1**

- (51) International Patent Classification<sup>7</sup>: G06F 17/60
- (21) International Application Number: PCT/US00/35390
- (22) International Filing Date:  
21 December 2000 (21.12.2000)
- (25) Filing Language: English
- (26) Publication Language: English
- (30) Priority Data:  
09/469,725 21 December 1999 (21.12.1999) US
- (71) Applicant: **WORLD WINE EXCHANGE, INC.**  
[US/US]; 180 Montgomery Street, Suite 1120, San Francisco, CA 94104 (US).
- (72) Inventor: **LITTLER, Simon, R.**; 221 San Carlos Avenue, Sausalito, CA 94965 (US).
- (74) Agents: **SULLIVAN, Stephen, G. et al.**; Sawyer Law Group LLP, P.O. Box 51418, Palo Alto, CA 94303 (US).
- (81) Designated States (*national*): AE, AG, AL, AM, AT, AU, AZ, BA, BB, BG, BR, BY, BZ, CA, CH, CN, CR, CU, CZ, DE, DK, DM, DZ, EE, ES, FI, GB, GD, GE, GH, GM, HR, HU, ID, IL, IN, IS, JP, KE, KG, KP, KR, KZ, LC, LK, LR, LS, LT, LU, LV, MA, MD, MG, MK, MN, MW, MX, MZ, NO, NZ, PL, PT, RO, RU, SD, SE, SG, SI, SK, SL, TJ, TM, TR, TT, TZ, UA, UG, UZ, VN, YU, ZA, ZW.
- (84) Designated States (*regional*): ARIPO patent (GH, GM, KE, LS, MW, MZ, SD, SL, SZ, TZ, UG, ZW), Eurasian patent (AM, AZ, BY, KG, KZ, MD, RU, TJ, TM), European patent (AT, BE, CH, CY, DE, DK, ES, FI, FR, GB, GR, IE, IT, LU, MC, NL, PT, SE, TR), OAPI patent (BF, BJ, CF, CG, CI, CM, GA, GN, GW, ML, MR, NE, SN, TD, TG).
- Published:  
— With international search report.

[Continued on next page]

(54) Title: **METHOD AND SYSTEM FOR BUYING AND SELLING WINE**



(57) Abstract: A method and system for buying and selling collectible spirits, such as fine wines. The method and system include providing an on-line exchange (40) for trading the collectible spirits, and providing a spirit index (54) that charts investment performance of the collectible spirits. The method and system further include allowing both businesses and private consumers to access the on-line exchange and the spirit index in order to perform trades. At least one storage facility (44) is also provided for storing and distributing a portion of the collectible spirits being traded.

WO 01/46893 A1



— Before the expiration of the time limit for amending the claims and to be republished in the event of receipt of amendments.

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## METHOD AND SYSTEM FOR BUYING AND SELLING WINE

### FIELD OF THE INVENTION

The present invention relates to method of doing business over the Internet, and more particularly to a method and system for buying and selling wine via an on-line wine exchange.

### BACKGROUND OF THE INVENTION

The top 500 wines in the world, based on a combination of highest release price and volume of production, is referred to as the "Collectible 500." Each year there is in excess \$4 billion in new production of the "Collectible 500." The majority of these  
10 wines are from Europe, which accounts for greater than 62% of the world's wine production. After initially being sold by the producer, these fine wines enter into a strong secondary market which, for the "Collectible 500," is in excess of \$1 billion per year.

The next 5,000 wines in the world, once again based on a combination of highest  
15 release price and volume of production, is referred to as the "Commercial 5,000. As in the "Collectible 500," a majority of these wines are from Europe, although the influence from the United States, Australia and South America is growing stronger. France is by far the world's largest producer of wine with a production figure exceeding \$15 billion per year.

Both the Collectible 500 and the Commercial 5,000 wines can be bought and sold  
20 multiple times in the market. However, it is estimated that there is well in excess of \$20 billion of fine wine in existence in cellars today that does not enter back into the secondary market due to the limitations and disadvantages associated with how fine wines are bought and sold today.

FIG. 1 is a graphical representation of current methods for buying and selling fine  
25 wines. The buying and selling of fine wine today is an antiquated and fragmented market, which includes two sub-markets: a commercial market 10 and a private market 20. The commercial market 10 includes wine producers 11, multiple levels of wine brokers 12, hotels 16, restaurants, and retail stores 22a. The private market 20 includes  
30 private entities 22, such as individual consumers 22b and the retail stores 22a; and

interfaces with the commercial market 10 through auction houses 24 and, in a limited way, the Internet 26. Neither of these sub-markets, alone or combined, provides an efficient means of buying and selling fine wine. The current methods of buying and selling wine within these markets has resulted in a highly fragmented marketplace that operates mainly on a local scale, with limited inventories, inconsistent market information, slow transactions and inefficient distribution. A bottle of wine can easily pass through five or more middlemen on its journey between producer and consumer.

The primary commercial transactions occur when wine producers of fine wine, who are located predominately in France, sell their annual production to primary brokers 12a throughout Europe. The number of brokers 12a a wine producer 11 may sell to at this level can range from between two and six hundred. After purchasing the wine from a wine producer 11, a primary broker 12a typically sells the wine to a secondary broker 12b, who then has various options within the secondary market, each of which adds cost, not value, to the buying and selling of fine wine. The options include selling the wine in an international market 14, such as the U.S.A., and selling the wine to local clientele, such as hotels 16, restaurants 18, and private entities 22. If the private entity is a private retail store 22a, then retail store 22a will then sell the wine to their customers. The secondary broker 12b may also sell the wine to a tertiary broker 12c who then sells the wine to their clientele, adding additional levels of middlemen to the process. Finally, each broker 12 may store the wine in his/her private cellar to sell at a later date for often a higher resale value.

As the fine wines move from the commercial market 10 to the private market 20, the buying and selling of the wines remains exclusively a national or local affair with negligible international presence. Traditionally, private consumers 22b have two predominant ways to buy or sell collectible wines: auction houses 24 (20%) and retail wine stores (80%). Both methods represent private-to-commercial transactions.

The reason private consumers 22b have difficulty entering the primary market has to do mostly with geographical fragmentation of the wine market. The major sales centers are commercial brokers 12 and auction houses 24. But both the major commercial brokerage houses (e.g. Farr Vintners, Bordeaux Index, Berry Bros. & Rudd and Corney & Barrow) and the major auction houses 24 (Sotheby's and Christie's) are based in Europe, predominantly London. Therefore, those interested in participating in

the wine market who do not reside near a major sales center must deal with the inconveniences of distance, time zones, language barriers, and technology barriers.

5 Auctions 24 present additional barriers to the wine market. Due to the restricted nature of auctions 24, they only attract a small portion of the international wine trading community. Moreover, auctions 24 require advanced planning on part of the seller. In order to sell wine, a seller must ship the wine to the auction house up to three months in advance of the auction 24 in order to have the wine included in an auction catalog. Auctions 24 are also not as profitable for the seller as they could be. Depending on the size of the sale, auction houses take commissions ranging from 10-15% from the buyer and 10-20% from the seller. Sellers whose lots go unsold, and did not reach their reserve price, are charged 5% of the reserve price as an administration fee.

10 Both brokers 12 and auction houses 24 also suffer the disadvantage of limited wine inventory. The major commercial brokerage houses do not hold large wine inventories, but rather provide listings from a network of regional clients. Because of the wine market's fragmentation, it is not cost-effective to carry all wines in great quantity. Buyers, therefore, must contact multiple sources to find the wines they want. Furthermore, sellers may experience delays when selling wine through brokers 12 and auctions 24 due to the infrequency of auctions and a retailer's limited brokerage-client base.

20 Today's wine market also lacks an organized international system for the commercial and private distribution and storage of wine. The result is that financial transactions in today's wine market are insecure and open to abuse. For example, buyers have, at times, paid for wine that has never been delivered because they have purchased from sources across the world unknown to them. Foreign exchange, customs and other legal restrictions may also pose problems.

25 Another major problem with today's wine market is that there is no consistent measure of quality when dealing with fine wines that a buyer can utilize when purchasing wines. Information about the individual wines comes from a variety of sources that say different things. There is no international source available worldwide that is consistent wherever accessed. This leads to differing definitions regarding factors such as, a bottle's wine level, wine clarity, the quality of the cork, and so on. For example, a seller in England may tell a buyer in Hong Kong that a particular bottle is in excellent

30

condition, but when it arrives, the bottle may not meet what the Hong Kong buyer considers excellent condition. And retailers will not usually accept returns of fine wines once they have been purchased, regardless of the condition of the wine when uncorked.

5 The Internet 26 has failed to provide solutions to these problems. Three classes of wine-related businesses have emerged on the Internet 26: retail shops, wine gift services, and wine auctions. Most Internet wine sites have been established by private wine retailers around the world who seek to add value to their traditional services and increase their existing customer base. For example, retailer Berry Bros. & Rudd provide online ordering of inventory carried by the company store. The selection of fine wine  
10 offered by these stores is highly limited as are their means of fulfillment.

Other retail wine sites, like Wine.com and Wineshopper.com, were created as exclusively consumer-based Internet businesses with no physical storefronts. Most of these sites aim to fill the needs of private consumers looking to buy mid-level wine, specialty foods and wine-related gifts. Very few of the wines offered on these sites  
15 would be classified as fine wines.

There are also internet-based wine auction sites, such as Sotheby's.com. The dedicated on-line wine auction sites can also be compared to the more traditional auction houses 24. These sites, notably Winebid.com and AuctionVine, conduct online wine auctions for medium to high-end fine wines on a monthly basis with potentially inflated  
20 prices, time constraints and small inventory. Once an auction is over, individuals must wait for another to begin in order to interact with the site.

The mass-market online auction sites such as YAHOO! Auctions and eBay cater to low price-point products that lend themselves to a high risk, open bidding sales environment. This unmonitored, consumer-to-consumer auction format has significant  
25 shortcomings when used for fine wine, such as the following: a) lack of product guarantee or fraud protection, b) the buyer is required to send money before being assured of the product's quality, c) noncompliance with age verification laws and lack of regulation, d) delay in purchase delivery, e) reliance on sellers' ability to safely ship purchased wines to buyers, and f) lack of information about the product.

30 Accordingly, what is needed is a more efficient method for buying and selling fine wine. The present invention addresses such a need.

## SUMMARY OF THE INVENTION

The present invention provides a more efficient method and system for buying and selling collectible spirits, such as fine wines. The method and system include providing an on-line exchange for trading the collectible spirits, and providing a spirit index that charts investment performance of the collectible spirits. The method and system further include allowing both businesses and private consumers to access the on-line exchange and the spirit index in order to perform trades. At least one storage facility is also provided for storing and distributing a portion of the collectible spirits being traded.

In one preferred embodiment, the spirits being traded on the on-line exchange are the collectible 500 wines. According to the system and method disclosed herein, a highly efficient market is created that supports all types of commercial transactions including business-to-business, business-to-consumer, consumer-to-business, and consumer-to-consumer transactions. The multiple tiers and middlemen associated with the conventional wine market are eliminated. The on-line exchange is capable of accepting trades from around the world twenty-four hours a day, and is therefore unconstrained by locality, time zones, office hours, and other such limitations. In addition, the present invention allows for virtual wine transactions whereby wine at the storage facility is purchased by a buyer and subsequently traded on the exchange, such that the wine is traded from owner to owner, but may not leave the storage facility.

## BRIEF DESCRIPTION OF THE DRAWINGS

FIG. 1 is a graphical representation of current process for buying and selling fine wines.

FIG. 2 is block diagram illustrating a system for buying and selling fine wine via an on-line wine exchange in accordance with the present invention.

FIG. 3a is a diagram illustrating the types of commercial transactions supported by conventional Internet businesses.

FIG. 3b is a diagram illustrating the types of commercial transactions supported by the on-line wine exchange of the present invention.

FIG. 4 is a diagram illustrating an example order book for an example wine.

FIG. 5 is a flowchart illustrating the process of private selling on the wine

exchange in one preferred embodiment.

FIG. 6 is a flow chart illustrating the process of commercial selling on the wine exchange in one preferred embodiment.

FIG. 7 is a flow chart illustrating the process of buying wines on the wine exchange in one preferred embodiment.

## DETAILED DESCRIPTION OF THE INVENTION

The present invention relates to a method and system for buying and selling collectible spirits via an on-line wine exchange. The following description is presented to enable one of ordinary skill in the art to make and use the invention and is provided in the context of a patent application and its requirements. Various modifications to the preferred embodiment will be readily apparent to those skilled in the art and the generic principles herein may be grown to other embodiments. Thus, the present invention is not intended to be limited to the embodiment shown but is to be accorded the widest scope consistent with the principles and features described herein.

The present invention provides an international on-line commodities exchange for trading collectible spirits. In one preferred embodiment, the spirits being traded on the on-line exchange include the Collectible 500 wines. In a second preferred embodiment, the spirits being traded on the on-line exchange include the Commercial 5000 wines. Although the present invention will be described in terms of the preferred embodiment, any type of alcohol or spirit that increases in value with age, such as Scotch for instance, could be traded on the on-line exchange of the present invention.

FIG. 2 is block diagram illustrating a system for buying and selling fine wine via an on-line wine exchange in accordance with the present invention. The system includes an on-line wine exchange 40 that is accessible over a network, such as of the Internet 26, by wine exchange members 38. The wine exchange members 38 include commercial wine producers 11, multiple levels of wine brokers 12, hotels 16, restaurants, and on-line wine retailers 28; and private entities 22, such as investors 22c, private collectors 22b and retail stores 22a. Any member 38, whether commercial or private, may both buy and sell wine on the exchange 40. In another preferred embodiment, membership may further be divided into members that have both buy and sell privileges, and members that have buy only privileges.



The on-line wine exchange (hereinafter, wine exchange) 40 includes two complementary aspects. The first aspect is a complete Internet-based trading environment 42 that provides a trading mechanism and information to support the trading of the wines. The second aspect is a global storage and shipping network comprising one or more wine storage and inspection facilities 44 for secure wine order verification and fulfillment. In one preferred embodiment, the wine storage and inspection facilities (hereinafter storage facilities) 44 employ wine experts who establish the criteria used to verify the wine's authenticity and quality before the wine is placed on the wine exchange 40.

The trading environment 42 includes a server 46 that hosts an application program 50, which in turn, interfaces with a database 44. The server 46, application program 50 and the database 44 provide a virtual exchange floor 52, a wine index 54, international wine information 55, and membership information 56 over the Internet 26.

The exchange floor 52 is based on a financial market model, except that collectible wines are traded, rather than securities. In the preferred embodiment where the collectible 500 wines are traded on the wine exchange 40, both commercial and private members 38 are permitted to trade. In the embodiment where the commercial 5000 wines are traded, the trades are preferably from business-to-business, where the wine exchange 40 provides a centralized marketplace for trading to occur between a wine producer and an end distributor. All trading transactions are financially guaranteed and underwritten by the wine exchange 40. The wine exchange 40 does not buy or sell wines, nor does it set the prices for the wines listed for trade. Each wine has its own respective order book, and trading occurs on the virtual exchange floor 52, where members 38 exchange bids and offers for the wine.

Due to the increasing value of fine wine over time, the wine makes a successful investment tool, particularly compared to traditional financial investments. For example, from 1975-1995 the value of fine wines have increased in value 1,939%, compared to the 1,134% increase of the Financial Times All Share Index, and the 544% increase of the Dow Jones Industrial Average.

To take advantage of these investment opportunities, in a preferred embodiment the wine exchange 40 provides members 38 the opportunity to trade wine futures directly on the exchange floor 52. More specifically, support for a full-time synthetic futures

market is provided, which includes one or more of the following: a) futures contracts based on specific wines, in specific quantities. This includes options trading on those contracts, and derivatives on those contracts; b) a spread bet operation on the future performance of specific wines; c) a basket product, on all wines in the collectible 500. This would operate as an index tracker product to follow the price movements of the collectible 500 index; and d) a wine mutual fund, where members 38 invest money into the fund for a return. The mutual fund may invest in different quantities and types of wines, and may also invest in wine futures as well.

The wine index 54 is an international market indicator that tracks the performance of the fine wine market. The wine index 54 not only provides the fine wine market's track record, but also allows members 38 to lookup and compare the performance of any one wine or an entire wine portfolio. In addition to providing a trading tool, it enables members 38 to calculate the value of their cellars, thus encouraging the realization of significant gains in value of their wine cellars.

The wine index 54 will make use of portions of the wine information 55. The wine information 55 includes current and historical pricing information on all wines being traded. In addition, supplementary information of interest to members 38 may also be provided, such as producer profiles, harvest reports, event calendars, tasting notes, and so on.

An introduction to the wine exchange 40 and a portion of the site's services (e.g. e-commerce, and services information) may be made visible to all visitors to allow potential users to familiarize themselves with the wine exchange 40. In a preferred embodiment, however, all visitors of the wine exchange 40 must become actual members 38 in order to trade. Commercial memberships will be offered to wine brokers 12, producers 11, retail wine stores 22a, hotels 16, and restaurants 18 in the international wine community. Commercial members typically have their own storage facilities for wine and are required to adhere to standards of trading that include the quality and availability of wine being placed onto the wine exchange 40.

Private memberships will be offered to any individual who does not qualify for a commercial membership and wishes to trade for personal interest only. Private members may be connoisseurs who have had a long-term interest in wine, individuals looking to develop their wine cellar, and/or individuals who trade for the purpose of investment. In

one preferred embodiment, there are two types of private members 38 regular private members, and exceptional private members. Regular private members are members 38 who sign on from day-to-day to trade, whereas exceptional private members own their own storage facilities and can verify the existence and quality of the wine to be sold.

5 A member 38 is qualified to trade after signing a terms and conditions sheet and once a credit check is performed to verify that the member 38 has sufficient funds for trading. In one preferred embodiment, a member 38 may provide a credit card number in order to trade. In an alternative embodiment, a member 38 may open an account with the wine exchange 40 and transfer funds into the account either before or after making a  
10 trade. This financial data and other member information 56 are stored in the database 48.

If a seller is a regular private member, the regular private member must first transfer the wine to a storage facility 44 for verification and quality inspection. If the seller is a commercial entity or an exceptional private member, then the commercial entity or exceptional private member may hold the wine.

15 Because trades may take place between any combination of commercial and private members 38, the wine exchange eliminates the conventional multi-tiered market shown in FIG. 2 and allows the commercial buying and selling of wine without brokers 12 acting as middlemen. The wine exchange 40 services four types of commercial transactions and is unlike both the conventional wine market and existing internet  
20 businesses, as illustrated in FIGS. 3a and 3b.

FIG. 3a is a diagram illustrating the types of commercial transactions supported by existing Internet businesses. As shown, Dell, which sells computers on-line, offers business-to-business and business-to-consumer services. Amazon.com, which sells books on-line, offers business-to-consumer services. Priceline.com, which is a reverse auction  
25 site, offers consumer-to-business services. And eBay.com, which is an auction site, offers consumer-to-consumer services.

FIG. 3b is a diagram illustrating the types of commercial transactions supported by the on-line wine exchange 40. The wine exchange 40 of the present invention supports all four types of commercial transactions; business-to-business, business-to-  
30 consumer, consumer-to-business, and consumer-to-consumer. As a result, existing on-line wine retailers 28, such as Virtual Vineyards and Wineshopper.com may become commercial members of the wine exchange 40 because the wine exchange 40 offers both

stores 22a and on-line wine retailers 28 a greater inventory of fine wine to offer to their private consumers than current suppliers do. By supporting transactions between all combinations of commercial and private members 38 for the collectible 500 wines, the wine exchange 40 consolidates a disjointed market, which presently does not have a one-  
5 source system for buyers, sellers and traders. This consolidation will result in greater depth of market. As stated above, the trading of the commercial 5000 wines is preferably based on a business-to-business model.

Referring again to FIG. 2, after a member 38 joins the wine exchange 40, members 38 are able to search the wine information 55 stored in the database 48 by  
10 region, wine name, grade type, and other criteria. Once a particular wine or area of wine is found, the wines corresponding order book can be displayed.

FIG. 4 is a diagram illustrating an example order book 60 for a particular wine in one preferred embodiment. The order book 60 (also known as a pit) lists a particular wine, in this example 1982 Chateau Latour, and shows information required to define an  
15 order for the wine, where an order is either a buy order 62 or a sell order 64. Each order 62 and 64 identifies the type of order (buy or sell), a price, a bottle size (case, magnum, bottle, or 1/2 bottle), quantity, a location of the wine, and optionally, a member identification. When a member transmits a buy order 62 or sell order 64, the order is entered into the database 48 and displayed in the order book 60 in real-time. In a  
20 preferred embodiment, trades may take place anytime, day or night.

When a buy order 62 matches a sell order 64, both the buyer and seller are notified (e.g., via e-mail) to confirm the transaction and the buyers account will be charged or escrowed. Once the buyer's money is in the escrow account, title to the wine will switch to the buyer, and the buyer may decide whether to take possession of the  
25 wine or to keep the wine at a storage facility 44 for subsequent trades. Alternatively, the buyer may have the world wine exchange take possession of the wine from the seller and hold the wine at a storage facility 44. In terms of holding wine at a storage facility 44, the transactions become virtual transactions where the wine may never leave the storage facility 44, but rather is just traded from owner to owner. The process of selling and  
30 buying wine on the wine exchange 40 is described in greater detail below.

FIG. 5 is a flowchart illustrating the process of private selling on the wine exchange 40 in one preferred embodiment. The process begins by a private member 38

logging on to the wine exchange 40 web site and completing a sell order 64 regarding the details of a particular wine in step 80. In a preferred embodiment, the sell order 64 identifies a quantity and type of wine, an offer price, and the member 38. In response, a shipping order is issued and the wine is collected from the member 38 and shipped to a storage facility 44 in step 82. At the storage facility 44, a quality inspection is performed on the wine in step 83. In a preferred embodiment, the wine is inspected for qualities, such as the level of wine in the bottle, the clarity of the wine, the quality of the capsule (the foil over the cork), and the quality of the cork and the label. In a preferred embodiment, three to five criteria limits are set for each category defining what wines may be traded on the exchange.

If the wine fails the quality inspection in step 84, the member 38 is notified and the wine is sent back to the member 38 in step 86. Alternatively, the member 38 may have the wine placed in a bin-end auction for wines that have not been approved by the wine exchange 40 in step 88, where it may then be sold in step 90.

If the wine passes the quality inspection in step 92, the member 38 is informed in step 94. The member 38 may then either trade the wine on the wine exchange 40 in step 96, or may instruct a wine broker 12 to manage the sale for the member 38 in step 98, which adds an extra commission to the event. The wine is then sold at the auction in step 102, or once a matching buy order 62 is found, the wine is sold on the wine exchange in step 100. Once the wine is sold, the funds of the buyer are cleared by the wine exchange 40 in step 104, and the member 38 is credited with the proceeds of the sale minus wine exchange commissions in step 106.

FIG. 6 is a flow chart illustrating the process of commercial selling on the wine exchange 40 in one preferred embodiment. Commercial selling on the world wine exchange is a less complicated process because no shipping is involved. Before being able to trade on the wine exchange 40, commercial members 38 must first be approved in step 120. Part of the approval process is signing a terms and conditions of exchange sheet specifying the quality level for traded wines to maintain quality. In some situations, a member 38 may request that wine-exchange inspectors taste the wine to rate the quality and add value to the price of the wine. Where the wine cannot be tasted, objective criteria of quality are used, such as the level of wine in the bottle, the clarity of the wine, the quality of the capsule, and the quality of the cork and the label.

Once the member 38 is approved to trade, the member 38 must log on to the wine exchange 40 and complete a sell order 64 in step 122. In a preferred embodiment, the sell order 64 identifies a quantity and type of wine, an offer price, and the member 38. The member 38 may then either trade the wine on the wine exchange 40 in step 124, or  
5 may instruct a wine broker 12 to execute the trade in step 126. Once a matching buy order 62 is found, the wine is sold on the wine exchange in step 128. The funds of the buyer are then cleared by the wine exchange 40 in step 130, and the member 38 is credited with the proceeds of the sale minus wine exchange commissions in step 132.

FIG. 7 is a flow chart illustrating the process of buying wines on the wine  
10 exchange 40 in one preferred embodiment. The process begins by a member 38 logging on to the wine exchange 40 and entering a buy order 62 for a particular wine in step 150. The buy order 62 preferably identifies a quantity and type of wine, a bid, and a member I.D.

If the wine is available on the wine exchange 40 in step 152, then the wine is  
15 traded in step 154. If a matching sell order 64 is found, then the buy order 62 is filled in step 156. The member 38 then decides whether the wine is to be delivered or is to be stored in step 158. If the member 38 decides to store the wine, then the wine is stored at a storage facility 44 in step 160. If the member 38 decides delivery, then the wine is delivered to the member 38 in step 162. After the member's 38 decision has been made,  
20 the member's 38 funds are received by wine exchange 40 in step 164, and title to the wine is transferred from the seller to the member 38 in step 166.

If the wine is not available on the wine exchange 40 in step 152, then the offer is left on the wine exchange 40 in step 170. If the offer is left on the wine exchange 40, then the offer is entered into the wine's order book 60 in step 172. Once a matching sell  
25 order 64 has been found, the trade is automatically completed in step 174. Upon completion of the trade, the member 38 is informed in step 176. The wine exchange 40 then automatically debits the member's 38 credit card or account in step 178, or the member 38 transfers the funds to the wine exchange 40 in step 180. Once the wine exchange 40 receives the member's 38 funds in step 164, title to the wine is transferred  
30 to the member 38 in step 166.

Referring again to FIG. 2, the wine exchange 40 may also be provided with other types of tools and services for facilitating the wine market. For example, the wine

information 55 could include a newspaper that supplies market information based on the previous days trading and any relevant financial news that may affect trading or market price. The wine information 55 may also include periodical information supplied by regional wine experts. Using the wine information 55 generated by the wine exchange 40, commercial members may determine the highest demand location in the world for their wines.

The wine index 54 may include a cellar evaluation tool that utilizes the information in the index 54. An owner's entire cellar inventory may be entered into the evaluation tool, which then evaluates the price of the cellar on a real-time basis. The evaluation tool may then offer suggestions on what the owner should sell and buy. Moreover, the wine exchange 40 may include personal account advisors for advising members 38 on what wines they should be buying and selling and when to sell.

The member information 56 may provide the buying and selling history of a particular member for effective wine portfolio management. The information may include the quantity of wine owned by the member, the location of the wine throughout the world, the status of any shipping of wines, and recent price changes. A member page may also show what were the top traded wines over a period of time, such as last week, and a watch list of the member's specified favorite wines.

By providing a dynamic commodities market for fine wines in conjunction with the services and tools just described, the wine exchange 40 produces the most efficient marketplace possible, in contrast to the current fragmented and disjointed wine market. The wine exchange 40 differentiates itself from all existing methods of buying and selling fine wine, including standard on-line retail sites and on-line auction service providers.

For example, the on-line wine exchange 40 accepts trades 24 hours a day, whereas the traditional market is constrained by time zones and office hours. Unlike on-line auctions where the buyer must wait until the auction closes to have his transaction confirmed, transactions on the wine exchange 40 take place in real-time and are continuously updated. Members 38 are therefore able to monitor the progress of their buy and/or sell orders, and buyers placing orders into the market creates information for sellers about the demand for a particular wine.

And since the wine exchange 40 accepts trades from anywhere in the world where

there is Internet access, and has an international distribution and storage network, the wine exchange 40 functions on a fully international scale. By contrast, in both the traditional wine market and existing Internet sites, wine is sold and delivered only on a local or national basis.

5           Other benefits provided by the wine exchange 40 include the wine Index that serves as an international wine market indicator, support for all types of commerce transaction, a depth of wine supply, a financial clearing system; and consistent wine information and content.

10           A method and system for buying and selling wine using an on-line wine exchange has been disclosed. Although the present invention has been described in accordance with the embodiments shown, one of ordinary skill in the art will readily recognize that there could be variations to the embodiments and those variations would be within the spirit and scope of the present invention. Accordingly, many modifications may be made by one of ordinary skill in the art without departing from the spirit and scope of the  
15           appended claims.



**CLAIMS**

What is claimed is:

1       A method for buying and selling collectible spirits, comprising the steps  
of:

(a)   providing an on-line exchange for trading the collectible spirits;

(b)   providing a spirit index that charts investment performance of the  
5   collectible spirits;

(c)   allowing both businesses and private consumers to access the on-line  
exchange and the spirit index in order to perform trades; and

(d)   providing at least one storage facility for storing a portion of the  
collectible spirits being traded.

10       2       The method of claim 1 further including the step of providing fine wines  
as the spirits.

15       3       The method of claim 2 further including the step of providing a collectible  
500 wines as the fine wines.

4       4       The method of claim 2 wherein step (a) further includes the step of:  
i)     trading wine futures on the on-line exchange.

20       5       The method of claim 2 wherein step (a) further includes the step of:  
i)     providing an order book for each one of the fine wines traded on  
the on-line exchange.

25       6       The method of claim 5 wherein step (a) further includes the step of:  
ii)    listing buy and sell orders associated with each of the fine wines in  
the corresponding order books.

7       The method of claim 6 wherein step (a) further includes the step of:  
iii)     updating the on-line exchange continuously and in real-time.

5       8       The method of claim 2 wherein step (c) further includes the step of:  
i)       allowing access to the on-line exchange via the Internet.

9       9       The method of claim 8 wherein step (c) further includes the step of:  
ii)      providing memberships to the on-line exchange before allowing  
trading access.

10      10      The method of claim 8 wherein step (c) further includes the step of:  
ii)      allowing business-to-business, business-to-consumer, consumer-  
to-business and consumer-to-consumer transactions.

15      11      The method of claim 8 wherein step (d) further includes the step of:  
i)       providing a buyer in a transaction an option of keeping the wine at  
the storage facility, thereby creating a virtual wine transaction whereby the buyer does  
not take physical possession of the wine.

20      12      The method of claim 11 wherein step (d) further includes the step of:  
ii)      performing quality inspections at the at least one storage facility.

13      13      The method of claim 12 wherein step (d) further includes the step of:  
iii)     providing an international storage and inspection network.

25      14      A system for buying and selling collectible spirits, comprising:  
means for providing an on-line exchange for trading the collectible spirits;  
means for providing a spirit index that charts investment performance of the  
collectible spirits;

means for allowing both businesses and private consumers to access the on-line exchange and the spirit index in order to perform trades; and

means for providing at least one storage facility for storing and distributing a portion of the collectible spirits being traded.

5

15      The system of claim 14 wherein the collectible spirits comprise fine wines.

10

16      The system of claim 15 wherein the fine wines comprise a collectible 500 wines.

17      The system of claim 15 wherein wine futures are traded on the on-line exchange.

15

18      The system of claim 15 wherein the on-line exchange includes an order book for each one of the fine wines traded.

19      The system of claim 18 wherein buy and sell orders associated with each of the fine wines are listed in the corresponding order books.

20

20      The system of claim 19 wherein the on-line exchange is continuously updated in real-time.

25

21      The system of claim 15 wherein the businesses and private consumers access the on-line exchange via the Internet.

22      The system of claim 21 wherein both the businesses and private consumers obtain memberships to the on-line exchange before allowing trading access.

23 The system of claim 21 wherein the on-line exchange supports business-to-business, business-to-consumer, consumer-to-business, and consumer-to-consumer transactions.

5 24 The system of claim 21 wherein a buyer in a transaction is provided an option of keeping the wine at the storage facility, thereby creating a virtual wine transaction whereby the buyer does not take physical possession of the wine.

10 25 The system of claim 24 wherein quality inspections are performed at the at least one storage facility.

26 The system of claim 25 further including an international storage and inspection network.

15 27 A system for trading wine over a network, comprising;  
a database for storing member information and wine information, wherein each member has a corresponding account, and wherein the wine information includes a plurality of sell and buy orders, each sell order identifying a quantity and type of wine, an offer price, and a member owner, and each buy order identifying a quantity and type  
20 of wine, a bid, and a member buyer;

a server coupled to the network for making the buy and sell orders available over the network;

25 an application running on the server for matching the sell orders with buy orders, wherein when a sell order matches a buy order, the account of the member buyer is charged and title to the wine is transferred to the member buyer; and

a storage facility for storing the wines to be sold, such that a member buyer may decide to hold purchased wine at the storage facility, and resell the wine over the network, thereby creating a virtual transaction of wine where the wine is traded from owner to owner but may not leave the storage facility.

28 The system of claim 27 wherein the wine includes a collectible 500 wines.

29 The system of claim 28 wherein the wine includes a commercial 5000 wines.

5

30 The system of claim 29 wherein the network is the Internet.

10

31 The system of claim 15 wherein the storage facility comprises local and international storage facilities for performing quality inspections and for distributing the wine to members.

32 A system, comprising:

a web site for posting wines for trade;

means for receiving sell orders for the wines from sellers;

15

means for receiving buy orders for the wine from buyers;

a storage facility for storing the wine to be sold;

means for notifying a buyer and a seller when a buy order matches a sell order;

means for charging the buyer's account and transferring title to the wine to the buyer; and

20

means for receiving a decision of the buyer to take possession of the wine or to hold the wine at a storage facility.

25

33 The system of claim 32 wherein when the wine is held at the storage facility, a virtual transaction occurs, whereby the wine may not leave the storage facility, but rather is traded from owner to owner.

34 The system of claim 33 wherein the wine being traded is a collectible 500 wines.

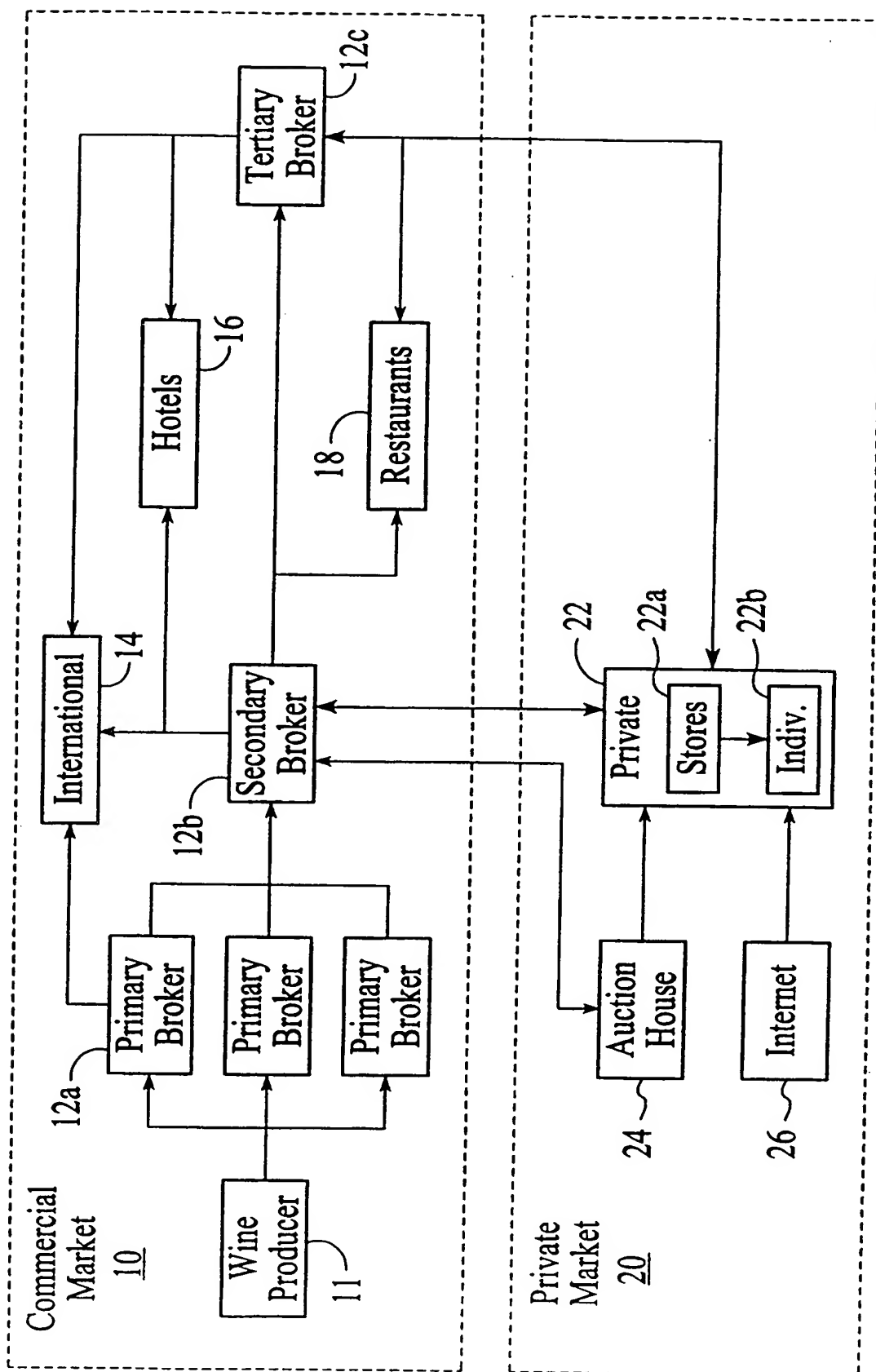


FIG. 1 (PRIOR ART)

2/7

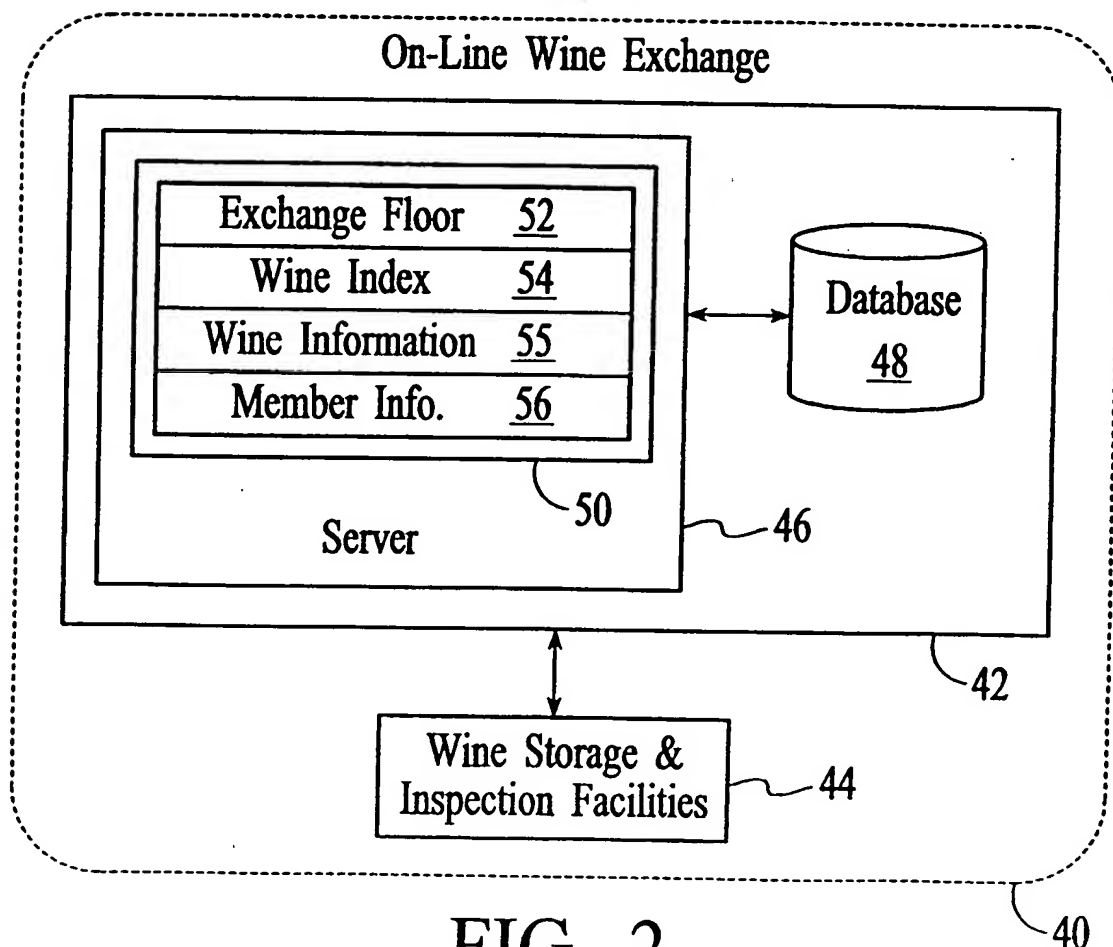
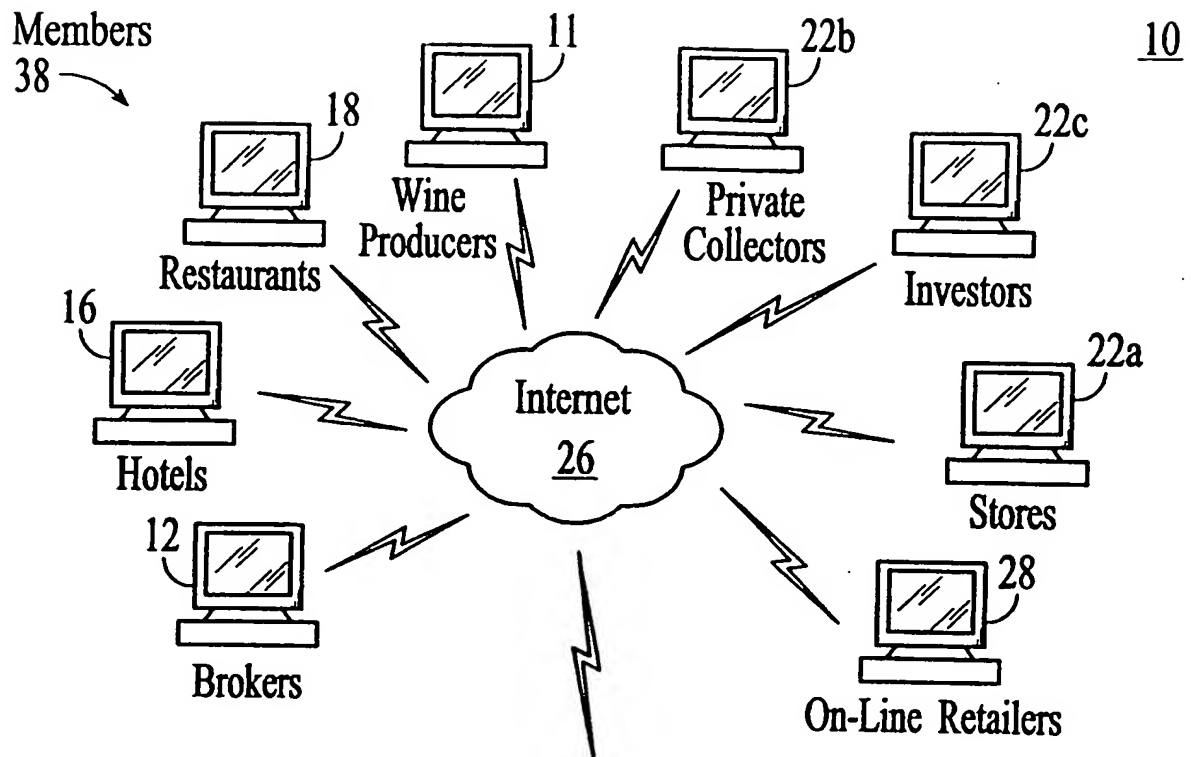


FIG. 2

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3/7

## Conventional Internet

Commerce Models

	Business	Consumer
Business	<i>Dell</i>	<i>Amazon</i> <i>Dell</i>
Consumer	<i>Priceline</i>	<i>eBay</i>

FIG. 3A  
(PRIOR ART)

## Wine Exchange

Commerce Models

	Business	Consumer
Business	<i>WE</i>	<i>WE</i>
Consumer	<i>WE</i>	<i>WE</i>

FIG. 3B



ORDER BOOK

Wine: 1982 Chateau Latour

60

Order Type	Price	Packaging	Quantity	Location	Member ID
Sell	423 1/4	Case	3	ExUK	371
Buy	419 3/8	Bottle	2	ExSingapore	42
•	•	•	•	•	•
•	•	•	•	•	•
•	•	•	•	•	•

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62

FIG. 4

5/7

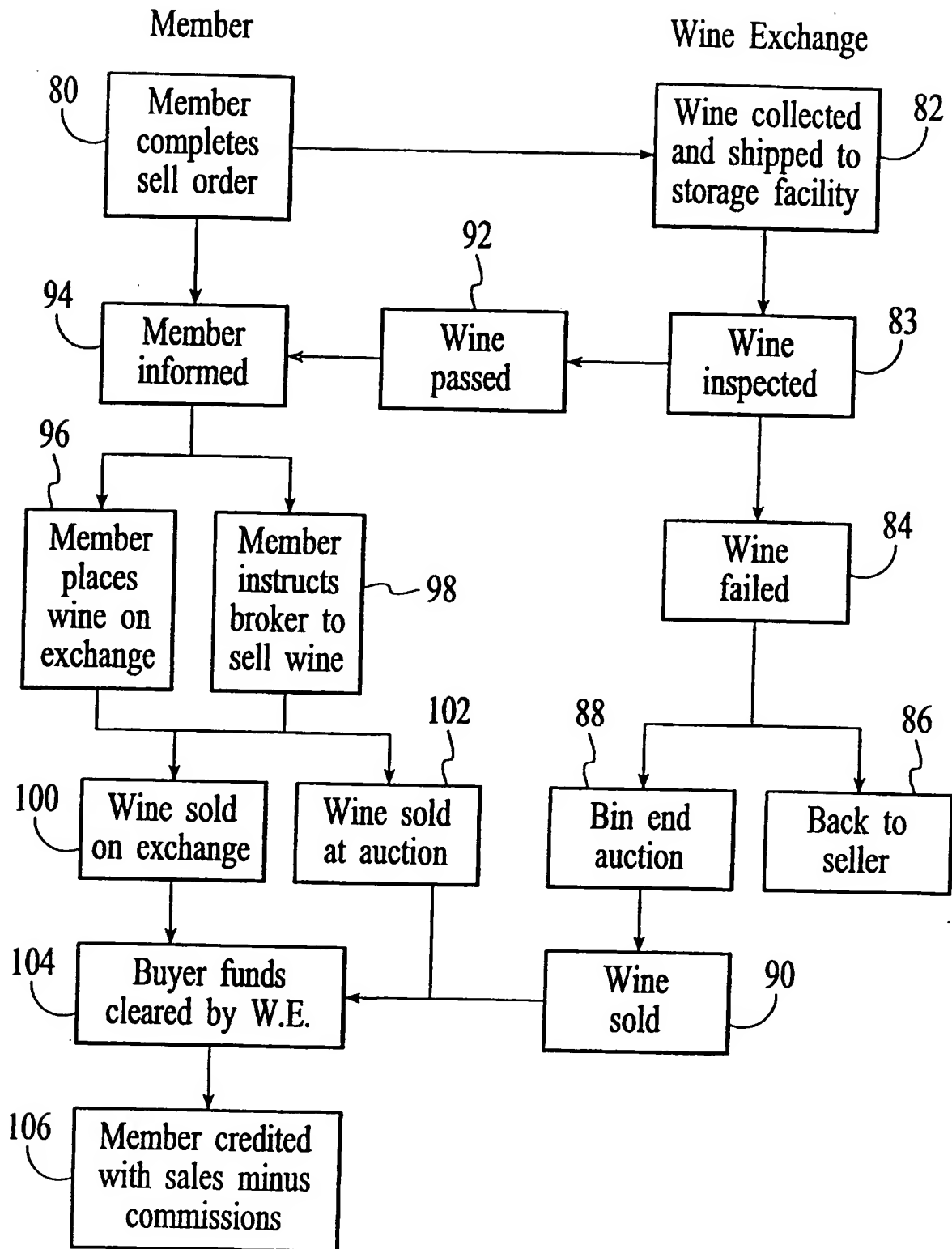


FIG. 5

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6/7

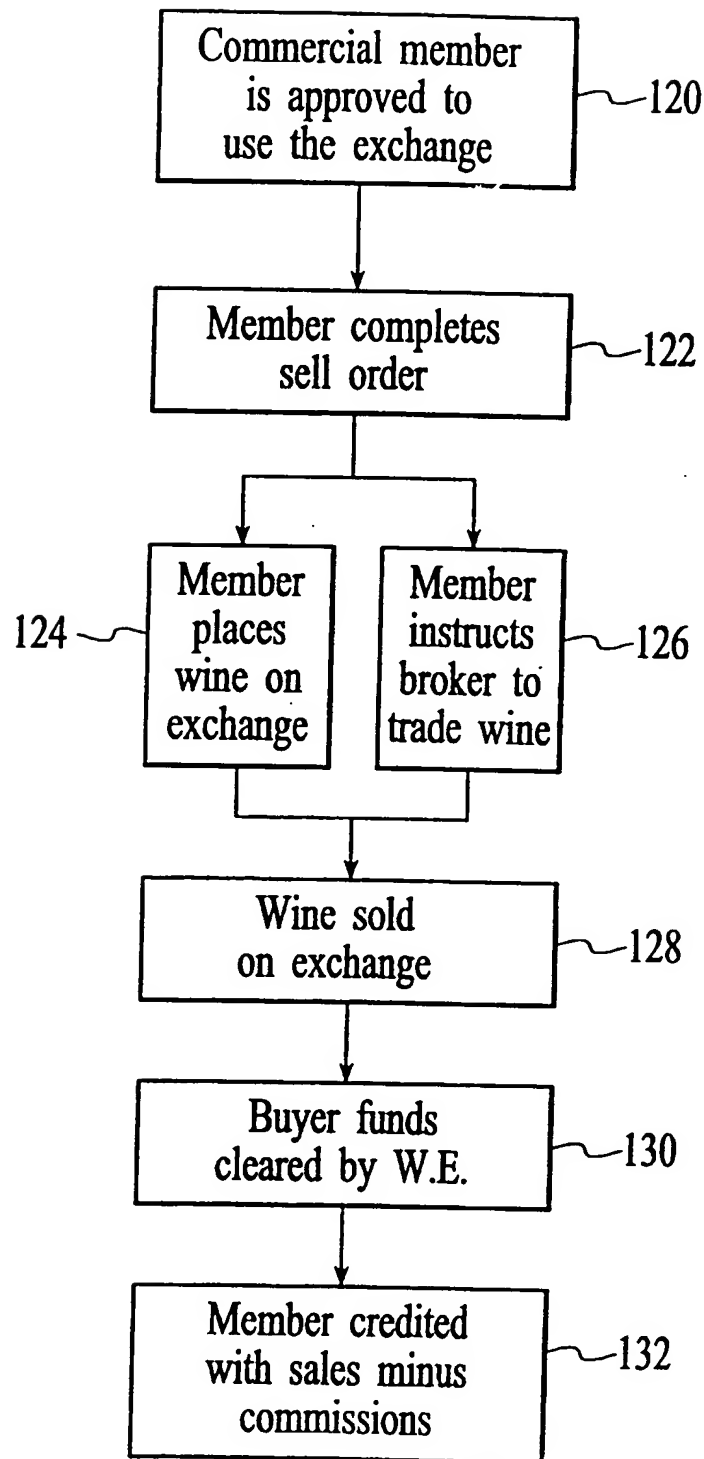


FIG. 6

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7/7

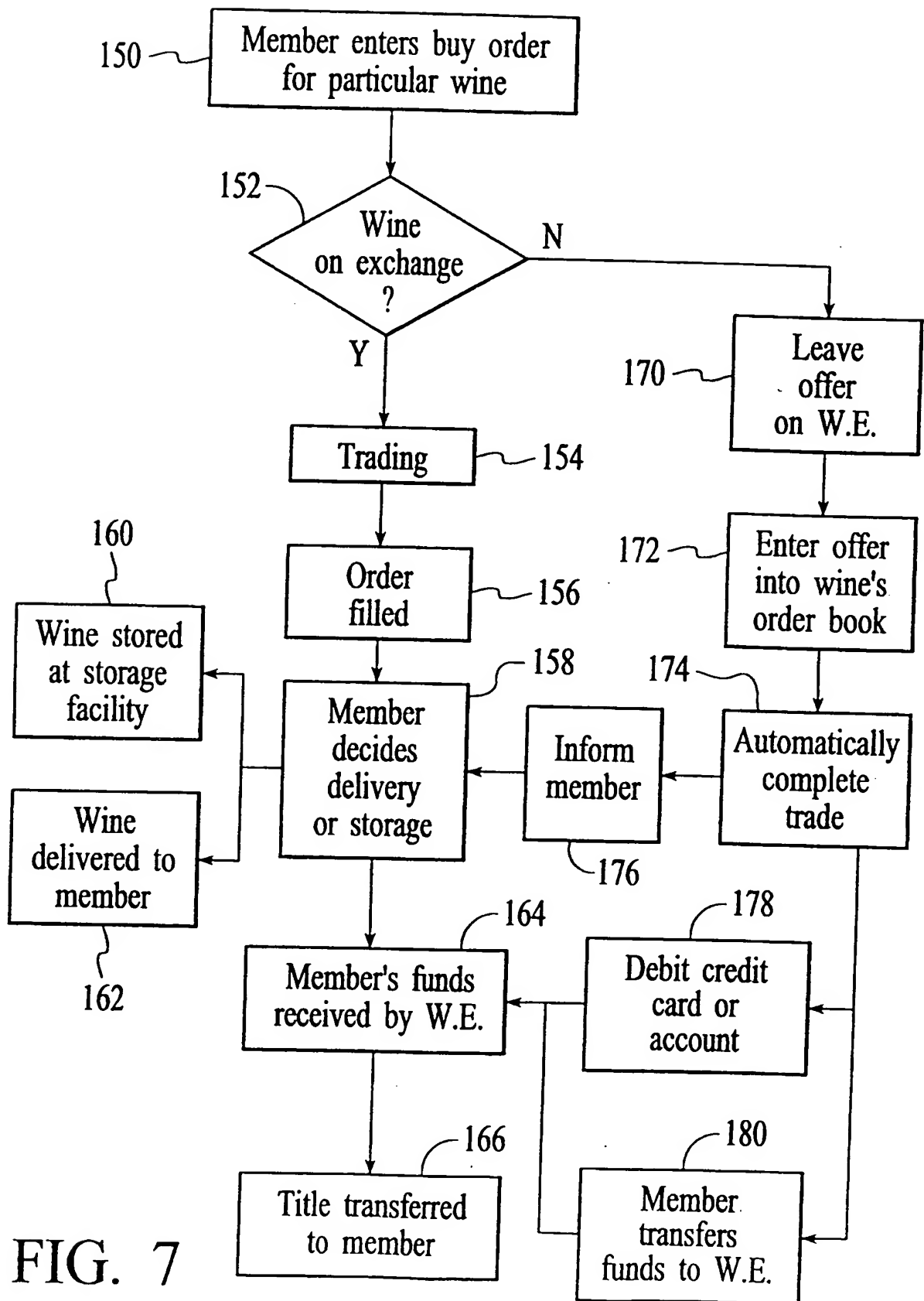


FIG. 7

## INTERNATIONAL SEARCH REPORT

 International application No.  
 PCT/US00/35390

## A. CLASSIFICATION OF SUBJECT MATTER

IPC(7) : G 06 F 17/60

US CL : 705/37

According to International Patent Classification (IPC) or to both national classification and IPC

## B. FIELDS SEARCHED

Minimum documentation searched (classification system followed by classification symbols)

U.S. : 705/37

Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched

Electronic data base consulted during the international search (name of data base and, where practicable, search terms used)

EAST, WEST, PROQUEST DIRECT, CORPORATE RESOURCE NET

## C. DOCUMENTS CONSIDERED TO BE RELEVANT

Category*	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
Y	US 4,677,552 A (SIBLEY) 30 JUNE 1987, ABSTRACT, FIG 1 AND 6, COL 2, LINE 67 - COL 4, LINE 2.	1-34
Y	US 5,845,265 A (WOOLSTON) 01 DECEMBER 1998, ABSTRACT, FIG 10, COL 1, LINE 34-67.	1-34.
Y	US 5,664,115 A (FRASER) 02 SEPTEMBER 1997, FIG 9, COL 2, LINE 56-COL 3, LINE 44.	1-34
Y	US 3,573,747 A (WRIGHT ET AL) 06 APRIL 1971, COL 1, LINE 43 - COL 2, LINE 39.	1-34

☐ Further documents are listed in the continuation of Box C.

☐ See patent family annex.

* Special categories of cited documents:	*T* later document published after the international filing date or priority date and not in conflict with the application but cited to understand the principle or theory underlying the invention
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*L* document which may throw doubts on priority claim(s) or which is cited to establish the publication date of another citation or other special reason (as specified)	*A* document member of the same patent family
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*P* document published prior to the international filing date but later than the priority date claimed	

Date of the actual completion of the international search

29 MARCH 2001

Date of mailing of the international search report

25 APR 2001

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 Commissioner of Patents and Trademarks  
 Box PCT  
 Washington, D.C. 20231

Facsimile No. (703) 305-3230

Authorized officer

VINCENT MILLIN

Telephone No. (703) 308-1065